

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION**

In re:	§	Chapter 11
	§	Case No. 24-10119-smr
1001 WL, LLC	§	
	§	
Debtor	§	

**OBJECTION TO APPLICATION TO APPROVE COMPROMISE UNDER FEDERAL
RULES OF BANKRUPTCY PROCEDURE 9019**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

COMES NOW Barron & Newburger, P.C., a creditor and party in interest and would show as follows:

1. Barron & Newburger, P.C. is a chapter 11 administrative claimant in this case. Its final fee application is presently pending before the court.
2. On March 26, 2025, the Trustee filed his Application to Approve Compromise (ECF No. 699).
3. The Application to Compromise is not fair and equitable and may not be approved in its present form.
4. Paragraph 15(g) of the Application to Compromise provides for a carveout for certain creditors as follows:

After the closing on the sale of the Real Property, all estate cash will be distributed to Romspen on account of and up to the amount of its allowed secured claim, less a holdback in a sufficient amount to pay for: (i) 100% of the allowed fees and expenses of the Trustee and his professionals,² plus (ii) an amount equal to 10% of allowed non-insider general unsecured claims. Any unused holdback funds shall be distributed to Romspen on account of and up to the amount of its allowed secured claim. The amount of cash to be distributed to Romspen shall in no event be greater than the total amount of the Romspen Claim; to the extent of excess cash above and beyond the Romspen Claim, such amounts will be paid pro rata to allowed non-insider general unsecured creditors.

5. The Application to Compromise appears to provide that the carveout funds will be paid first to the Trustee and his professionals and then to non-insider general unsecured creditors. The intent of the compromise appears to be to skip over the Chapter 11 administrative expense claims incurred prior to the appointment of the Trustee and to provide a distribution of 10% to non-insider creditors. Thus, the compromise discriminates against both non-trustee Chapter 11 administrative expense claimants and insiders with allowed claims.

6. The Supreme Court has held that a court may not approve a priority-skipping distribution in a structured dismissal. *Czyzewski v. Jevic Holding Corp.*, 137 S.Ct. 973 (2017). In doing so, the Supreme Court upheld a general requirement that claims be paid in order of priority. A settlement which discriminates against certain allowed administrative expense claims and allowed unsecured claims is not fair and equitable and may not be approved.¹

7. BNPC also objects that the compromise cannot be approved without a carveout for the benefit of estate creditors other than the Chapter 11 Trustee. Without the carveout, the Trustee would be waiving valuable rights of the bankruptcy estate against Romspen in return for paying the Trustee's administrative claims. This would not be fair and equitable. Without a substantial payment to the estate, the Trustee would be releasing valuable claims without consideration as well as cleansing for the private benefit of Romspen. In the absence of a significant carveout for creditors other than the Trustee and his professionals (preferably at least \$500,000), the Trustee is acting for the benefit of Romspen and not the estate. If this cannot be accomplished, the Trustee should simply abandon the asset.

8. Assuming that Romspen is willing to agree to a non-discriminatory and substantial carveout, BNPC objects to granting Romspen a secret credit bid. While BNPC understands that publicly disclosing the credit bid might chill bidding, there is no way to know whether the Trustee

¹ BNPC does not object to the Trustee's fees and expenses being paid prior to its fees since priority is provided for in the Bankruptcy Code.

has properly exercised his fiduciary duty in negotiating the credit bid cap. For example, allowing a credit bid of up to \$50 million would exceed Romspen's claim. BNPC suggests that the amount of the credit bid be disclosed to the Court in camera and approved by the Court. In the alternative, the amount of the credit bid cap could be provided to the U.S. Trustee and subject to the approval of the U.S. Trustee as fair and equitable.

Respectfully Submitted,

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/s/ Stephen Sather
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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Objection was served by first class mail, postage prepaid and properly addressed, on March 28, 2025 to all parties listed below by email and electronically by the Court's ECF system to all parties registered to receive such service.

/s/ Stephen Sather
Stephen Sather

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(u)See Attached

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